



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

March 24, 1998

### **H.R. 3310**

#### **Small Business Paperwork Reduction Act Amendments of 1998**

*As ordered reported by the House Committee on Government Reform and Oversight  
on March 19, 1998*

#### **SUMMARY**

H.R. 3310 generally would seek to provide relief to small businesses by: (1) waiving civil fines and penalties for first-time violations of paperwork requirements, (2) directing the Office of Management and Budget to publish annually a list of applicable paperwork requirements, (3) requiring that agencies provide a single point of contact, and (4) establishing a multi-agency task force to study the feasibility of streamlining requirements for collecting and reporting information to the federal government.

CBO estimates that enacting H.R. 3310 would result in a net loss of governmental receipts of at least \$4.5 million a year. That amount includes an estimated annual loss of civil monetary penalties (CMPs) of at least \$6 million, net of increased income and payroll taxes. Because the bill would affect receipts, pay-as-you-go procedures would apply. Implementing the bill also would increase annual discretionary costs by requiring agencies to publish a list of paperwork requirements and to participate in the multi-agency task force, but CBO does not expect such costs to be significant.

H.R. 3310 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act of 1995 (UMRA) and would not affect the budgets of state, local, or tribal governments.

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

By waiving civil fines and penalties for first-time violations of paperwork requirements by small businesses, H.R. 3310 would affect the collection of CMPs by federal regulatory agencies. Specifically, the bill would prohibit federal agencies from assessing CMPs for first-time paperwork violations, except for cases where the agency determines that the violation has caused serious harm or presents an imminent and substantial danger to the public health.

or safety, or where the violation is not corrected within six months of notification. The one-time relief also would not apply to violations involving the collection of any tax, debt, revenue, or receipt. In addition, the bill would allow an agency to forgo assessing a firm for violations that it considers to present an imminent and substantial danger to the public health or safety. If the agency elects not to waive the fine or penalty, the bill would require that it notify the Congress of the decision within 60 days.

Agencies annually collect approximately \$300 million in non-tax CMPs—excluding those collected by the Internal Revenue Service. Such fines are recorded as governmental receipts. The vast majority of such collections, however, are for non-paperwork violations. Paperwork violations generally involve the failure to record and report information required by federal regulatory agencies to assist in enforcing health, safety, and environmental laws. Additionally, several federal statutes, including the Small Business Regulatory Enforcement Fairness Act of 1996, and Administration policy already require that agencies provide relief to small businesses from first-time fines for paperwork violations. Among other things, agencies are required to consider a firm's size, its compliance history, whether it benefited economically from the violation, and its efforts to correct the violation in determining the amount of any fine or penalty.

H.R. 3310 would broaden this relief so as to prevent agencies from imposing any fine for the vast majority of first-time offenses. Unfortunately, based on information from the agencies we contacted, including the Environmental Protection Agency (EPA), the Occupational Safety and Health Administration (OSHA), and the Departments of Justice and Transportation, agencies do not track the assessment or collection of CMPs by whether a penalized firm is a small business, a first-time offender, or in most cases, even whether the fine is for a paperwork violation. Consequently, the amount of collections that would be forgone under H.R. 3310 is very uncertain.

Based on limited information provided by OSHA, including the amount of fines assessed and collected for certain paperwork violations in 1997, CBO estimates that annual collections by that agency would decrease by at least \$2 million. OSHA and EPA each account for about one-quarter of all non-tax CMPs. Thus, we estimate that EPA would forgo a similar amount in collections of CMPs. For other agencies, which account for one-half of the remaining non-tax CMPs, but which appear to impact small businesses to a lesser degree than OSHA and EPA, we estimate the government would forgo approximately another \$2 million annually. Thus, in total, CBO estimates that enacting H.R. 3310 would result in an annual loss of governmental receipts from CMPs of at least \$6 million. After adjusting for the income and payroll tax offset, CBO estimates a reduction in net governmental receipts of at least \$4.5 million, beginning in fiscal year 1999. Assuming that H.R. 3310 is enacted this

summer, we estimate that the net loss in governmental receipts for fiscal year 1998 would not be significant.

The bill also would increase annual discretionary costs for agencies to publish a list of paperwork requirements and to participate in the multi-agency task force, but CBO does not expect such increases to be significant.

## **PAY-AS-YOU-GO CONSIDERATIONS**

Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays and governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars										
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Changes in outlays					Not applicable						
Changes in receipts	0	-5	-5	-5	-5	-5	-5	-5	-6	-6	-6

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

H.R. 3310 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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